

Message Text

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ACTION STR-07

INFO OCT-01 EA-10 IO-13 ISO-00 STRE-00 CEA-01 CIAE-00

COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05

SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01

DOE-15 AGR-01 AF-10 ARA-10 EUR-12 NEA-10 OIC-02

JUSE-00 DOEE-00 SSO-00 /169 W

-----052441 021745Z /44

P 021713Z AUG 78

FM USMISSION GENEVA

TO SECSTATE WASHDC PRIORITY 2807

INFO AMEMBASSY TOKYO

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USMTN

ACTION STR PASS ELECTRICALLY FOR BARREDA

STR PASS CODEL

E.O.11652:N/A

TAGS: MTN, ETRD, JA

SUBJECT: JAPAN-U.S. BILATERAL - ASP, CERAMIC DINNERWARE

JAPANESE REQUESTS

1. SUMMARY. U.S. MTN DEL (MCNAMARA ET AL) MET JULY 28, 1978, WITH JAPANESE MTN DEL (ENDO ET AL) TO REVIEW JAPANESE RESPONSE TO ASP AND CERAMIC DINNERWARE CONVERSIONS. JAPAN OBJECTED, IN WRITING, TO THE U.S. PROPOSED CONVERSION OF ASP RATES AND THE REVISED NOMENCLATURE FOR CERAMIC DINNERWARE, THREATENING, IN BOTH CASES, TO INVOKE ARTICLE XXVIII OF THE GATT. IN THIS REGARD, JAPANESE DEL REITERATED ITS REQUEST FOR TRADE DATA TO EVALUATE THE CONVERSION. JAPANESE DEL ALSO REVIEWED ITS REQUEST LIST, PREVIOUSLY SUBMITTED JULY 18, FOR FURTHER U.S. TARIFF IMPROVEMENTS. JAPANESE DEL EXPLAINED THAT JAPAN

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HAD GONE THE "LAST DROP" IN NEGOTIATIONS ON INDUSTRIAL TARIFFS, AND DID NOT EXPECT TO MAKE FURTHER IMPROVEMENTS. BOTH SIDES AGREED TO MEET AGAIN IN SEPTEMBER. END SUMMARY.

2. AT THE REQUEST OF THE JAPANESE DEL, U.S. DEL MET TO RECEIVE THE WRITTEN COMMENTS (HAND-CARRIED GRAEF) ON ASP CONVERSION AND CERAMIC DINNERWARE REVISIONS, AND

A SUGGESTED LETTER PLEDGING STR'S SUPPORT OF A BILL PROVIDING DUTY-FREE TREATMENT ON BINOCULARS. REGARDING ASP AND FINAL LIST CONVERSIONS, JAPANESE DEL REITERATED ITS POSITION THAT ASP SHOULD BE ELIMINATED WITHOUT COMPENSATION AND THAT CONVERTED RATES THEMSELVES MAY NOT REFLECT THE CURRENT LEVELS OF PROTECTION WHICH JAPANESE EXPORTS FACE ON THESE ITEMS. JAPAN THEREFORE RESUBMITTED ITS REQUEST THAT THE U.S. SUPPLY THE TRADE DATA ON WHICH THE CONVERSION WAS BASED AND RESERVED THE RIGHT TO INVOKE ARTICLE XXVIII IN RESPONSE.

3. U.S. DEL RESPONDED FORCEFULLY THAT THE U.S. HAS NEVER HAD THE INTENTION OF ABANDONING THE ASP METHOD OF VALUATION WITHOUT CONVERTING RATES TO LEVELS THAT WOULD GENERATE AN EQUIVALENT AMOUNT OF DUTIES. MOREOVER, THE U.S. HAS EXPLICITLY RESERVED THIS RIGHT BY A GENERAL NOTE TO U.S. GATT SCHEDULE XX FROM 1947 DIRECTLY THROUGH TO THE KENNEDY ROUND. FURTHERMORE, WITHOUT ADEQUATE RECIPROCITY FOR THE PROTECTION LOST, THE U.S. WOULD HAVE TO RETAIN THE ASP VALUATION METHOD. ON FINAL LIST, U.S. DEL ACKNOWLEDGED THAT THE LEGAL ARGUMENTS WERE DIFFERENT, BUT THAT ONLY TWO OUT OF MORE THAN 1,000 ITEMS WERE BEING CONVERTED AT INCREASED RATES. IN RESPONSE TO THE JAPANESE DEL'S REQUEST FOR THE DATA ON WHICH BOTH CONVERSIONS WERE BASED, U.S. DEL STATED THAT COMPLETE DATA WERE NOT YET AVAILABLE. (COMMENT: THE LIMITED OFFICIAL USE

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INABILITY OF THE U.S. TO SUPPLY THE RELEVANT DATA IS VIEWED BY THE JAPANESE AS A U.S. ATTEMPT TO HIDE TARIFF INCREASES BEYOND THAT NECESSARY TO GENERATE EQUIVALENT DUTIES. AT THE LEAST, U.S. DEL WOULD HOPE THAT A PUBLIC VERSION OF THE ASP REPORT IS BEING PREPARED. END COMMENT.)

4. JAPANESE DEL OPPOSED THE REVISED CERAMIC DINNERWARE SCHEDULE IN THREE AREAS: FIRST, THE CHANGE IN THE VALUE BRACKETS; SECOND, THE RESULTING INCREASE IN TARIFF RATES ON THE MAJOR TRADE ITEMS; AND THIRD THE INTRODUCTION OF A NEW PROVISION FOR EARTHENWARE HOTEL AND RESTAURANT WARE AT A SUBSTANTIALLY HIGHER RATE OF DUTY. IN PARTICULAR, JAPANESE DEL CITED THAT RATES OF DUTY ON CERTAIN ITEMS WOULD INCREASE IMMEDIATELY AND, EVEN AFTER STAGED REDUCTIONS, THE RESULTING RATES WOULD BE AT THE CURRENT RATE OR HIGHER. THE JAPANESE DEL PROVIDED AN INFORMAL REQUEST TO IMPROVE THE REVISED CERAMIC DINNERWARE SCHEDULE INCORPORATING (1) THE LOWER VALUE BRACKETS, (2) CURRENT SCHEDULE 5 TARIFF RATES BASED ON THE LOWEST RATE APPLICABLE TO THE REVISED NOMENCLATURE, AND (3) FORMULA AND GREATER-THAN-FORMULA CUTS ON EACH ITEM. THE JAPANESE DEL RESERVED THE RIGHT TO INVOKE ARTICLE XXVIII OF THE

GATT IF THE U.S. WERE TO IMPLEMENT THE REVISED DINNERWARE SCHEDULE.

5. IN RESPONDING TO THE JAPANESE PROPOSAL TO IMPROVE THE U.S. CERAMIC DINNERWARE SCHEDULE, U.S. DEL STATED THAT THE U.S. HAD MADE A MAJOR EFFORT TO COMBINE THE INTERESTS OF DOMESTIC AND FOREIGN PRODUCERS AND IMPORTERS AND THAT A SIGNIFICANT STEP HAD BEEN TAKEN BY MAKING AN OFFER RATHER THAN TAKING THE ENTIRE DINNERWARE SCHEDULE AS A FULL

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L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01
DOE-15 AGR-01 AF-10 ARA-10 EUR-12 NEA-10 OIC-02
JUSE-00 DOEE-00 SSO-00 /169 W
-----052805 021745Z /42

P 021713Z AUG 78
FM USMISSION GENEVA
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EXCEPTION. U.S. DEL EXPLAINED THAT THERE IS LITTLE ROOM FOR MANEUVERING WITH THE REVISED NOMENCLATURE AND OFFER.

6. JAPANESE DEL REVIEWED ITS "SPECIAL INTEREST" LIST PRESENTED PREVIOUSLY ON JULY 18, 1978. THEY OFFERED A PROPOSED LETTER WHICH STATES THE ADMINISTRATION'S INTENTION SUPPORTING POSSIBLE CONGRESSIONAL EFFORTS TO CREATE DUTY-FREE TREATMENT FOR BINOCULARS. JAPAN DEL ALSO CORRECTED AN ERROR IN LISTING 650.15 AS AN ITEM ON THE REQUEST LIST; THE ITEM SHOULD BE 650.91, SCISSORS. JAPAN DEL REITERATED THEIR INTEREST IN WOOLEN FABRICS, APPAREL, DYES AND SLIDE FASTENERS AND REQUESTED THAT THE U.S. MAKE FURTHER CUTS ON TITANIUM AND RAISE THE EXOUT

VALUE OF GUITARS FROM \$75 TO \$120. JAPANESE DEL EXPRESSED THE HOPE THAT ANY NOMENCLATURE SIMPLIFICATION ON WATCHES NOT FOLLOW THE SAME PATTERN AS THE SIMPLIFICATION ON LIMITED OFFICIAL USE

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CERAMIC DINNERWARE. THEY REQUESTED SOME CONCESSIONS ON LIGHTWEIGHT TRUCKS.

7. U.S. DEL CONCLUDED THE MEETING BY SUGGESTING THAT THE BEGINNING OF SEPTEMBER WOULD BE AN APPROPRIATE TIME TO DISCUSS FURTHER IMPROVEMENTS TO U.S. AND JAPANESE OFFERS. AT THIS SUGGESTION, THE JAPANESE DEL DISAGREED THAT ANY IMPROVEMENT WAS NECESSARY IN THE JAPANESE OFFERS, STATING THAT ALL SUCH IMPROVEMENTS HAD BEEN AGREED TO IN BONN. U.S. DEL POINTED OUT THAT ALTHOUGH POLITICAL DECISIONS HAD BEEN AGREED TO IN BONN AND THAT ALTHOUGH JAPAN HAS MADE SUBSTANTIAL IMPROVEMENTS IN ITS OFFER, OTHER U.S. REQUESTS REMAIN OUTSTANDING. JAPANESE DEL CONTINUED TO EXPRESS DOUBT OF THE NECESSITY FOR FURTHER JAPANESE IMPROVEMENTS, BUT AGREED TO MEET IN EARLY SEPTEMBER TO DISCUSS REMAINING ISSUES.

8. DRAFTED BY CASSIDY. MCDONALD

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CERAMICS
Control Number: n/a
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Draft Date: 02 aug 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978GENEVA11850
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780316-0532
Format: TEL
From: GENEVA USMTN
Handling Restrictions: n/a
Image Path:
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Office: ACTION STR
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Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
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Previous Channel Indicators: n/a
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Review Event:
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Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1565079
Secure: OPEN
Status: NATIVE
Subject: JAPAN-U.S. BILATERAL - ASP, CERAMIC DINNERWARE JAPANESE REQUESTS
TAGS: ETRD, JA, US, MTN
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/e8138b58-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014